



February 22, 2002

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## ENGROSSED SENATE BILL No. 29

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DIGEST OF SB 29 (Updated February 20, 2002 8:07 AM - DI 84)

**Citations Affected:** IC 4-4; IC 4-23; IC 8-1.

**Synopsis:** Clean coal and energy projects and research. Encourages: (1) new energy generating facilities in Indiana that use clean coal technology and are fueled using Illinois Basin coal resources; (2) advanced technologies that reduce regulated air emissions from existing generating plants; (3) projects to develop alternative energy sources, including renewable energy projects; and (4) the purchase by energy utilities of fuels produced by coal gasification facilities in Indiana. Provides that the utility regulatory commission (IURC) has jurisdiction over a utility's purchase of clean coal technology from third parties, including the purchase of precombustion coal treated by gasification. Directs the IURC to encourage clean coal and energy  
(Continued next page)

**Effective:** Upon passage; July 1, 2002.

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**Weatherwax, Lanane, Server,  
Waterman, Blade, Hume, Gard**  
(HOUSE SPONSORS — STILWELL, LUTZ J, BECKER)

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November 20, 2001, read first time and referred to Committee on Rules and Legislative Procedure.

January 17, 2002, amended; reassigned to Committee on Energy and Economic Development.

January 29, 2002, amended, reported favorably — Do Pass.

February 4, 2002, read second time, amended, ordered engrossed.

February 5, 2002, engrossed. Read third time, passed. Yeas 49, nays 0.

HOUSE ACTION

February 11, 2002, read first time and referred to Committee on Rules and Legislative Procedures.

February 21, 2002, amended, reported — Do Pass.

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ES 29—LS 6216/DI 13+



projects through financial incentives. Requires that in order to qualify for certain incentives, projects to reduce regulated air emissions at existing energy generating plants must be located at plants that are primarily fueled by Illinois Basin coal. Provides that the IURC shall encourage and provide incentives for certain clean coal and energy projects only if the projects are in the public interest, convenience, and necessity. Directs the state utility forecasting group to conduct an annual study on the use, availability, and economics of using renewable energy resources in Indiana and to submit a report of its findings to the IURC. Provides that if any provisions concerning clean coal and energy projects are found to be unlawful, the IURC must annually review any approved projects. Creates a center for coal technology research to develop technologies to advance the use of Indiana coal. Requires the department of commerce to pursue available private and public sources of money for the coal research grant fund.

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February 22, 2002

Second Regular Session 112th General Assembly (2002)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2001 General Assembly.

## ENGROSSED SENATE BILL No. 29

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A BILL FOR AN ACT to amend the Indiana Code concerning utilities and transportation.

*Be it enacted by the General Assembly of the State of Indiana:*

1       SECTION 1. IC 4-4-30 IS ADDED TO THE INDIANA CODE AS  
2 A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY  
3 1, 2002]:

4       **Chapter 30. Center for Coal Technology Research**

5       **Sec. 1. As used in this chapter, "center" refers to the center for**  
6 **coal technology research established by this chapter.**

7       **Sec. 2. As used in this chapter, "director" refers to the director**  
8 **of the department of commerce.**

9       **Sec. 3. As used in this chapter, "fund" refers to the coal**  
10 **technology research fund established by section 8 of this chapter.**

11       **Sec. 4. As used in this chapter, "Indiana coal" has the meaning**  
12 **set forth in IC 8-1-2-6.1.**

13       **Sec. 5. The center for coal technology research is established to**  
14 **perform the following duties:**

15       **(1) Develop technologies that can use Indiana coal in an**  
16 **environmentally and economically sound manner.**

17       **(2) Investigate the reuse of clean coal technology byproducts,**

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including fly ash.

(3) Generate innovative research in the field of coal use.

(4) Develop new, efficient, and economical sorbents for effective control of emissions.

(5) Investigate ways to increase coal combustion efficiency.

(6) Develop materials that withstand higher combustion temperatures.

(7) Carry out any other matter concerning coal technology research as determined by the center.

Sec. 6. In carrying out its duties under this chapter, the center shall be located at Purdue University at West Lafayette and shall cooperate with and may use the resources of:

(1) Indiana University Geological Survey and other state educational institutions;

(2) a state or federal department or agency;

(3) a political subdivision; and

(4) interest groups representing business, environment, industry, science, and technology.

Sec. 7. To carry out the center's duties described in section 5 of this chapter, the director or the director's designee, acting on behalf of the center, may:

(1) organize the center in the manner necessary to implement this chapter;

(2) execute contractual agreements, including contracts for:

(A) the operation of the center;

(B) the performance of any of the duties described in section 5 of this chapter; and

(C) any other services necessary to carry out this chapter;

(3) receive money from any source for purposes of this chapter;

(4) expend money for an activity appropriate to the purposes of this chapter;

(5) execute agreements and cooperate with:

(A) Purdue University and other state educational institutions;

(B) a state or federal department or agency;

(C) a political subdivision; and

(D) interest groups representing business, the environment, industry, science, and technology; and

(6) subject to the approval of the budget agency, employ personnel as necessary for the efficient administration of this chapter.

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1        **Sec. 8. (a) The coal technology research fund is established to**  
 2        **provide money for the center for coal technology research and for**  
 3        **the director to carry out the duties specified under this chapter.**  
 4        **The budget agency shall administer the fund.**

5        **(b) The fund consists of the following:**

6            **(1) Money appropriated by the general assembly.**

7            **(2) Gifts, grants, and bequests.**

8        **(c) The treasurer of state shall invest the money in the fund not**  
 9        **currently needed to meet the obligations of the fund in the same**  
 10       **manner as the treasurer may invest other public funds.**

11       **(d) Money in the fund at the end of a state fiscal year does not**  
 12       **revert to the state general fund.**

13       SECTION 2. IC 4-23-5.5-16 IS AMENDED TO READ AS  
 14       FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 16. (a) The Indiana coal  
 15       research grant fund is established for the purpose of providing grants  
 16       for research and other projects designed to develop and expand markets  
 17       for Indiana coal. The fund shall be administered by the board.

18       (b) Sources of money for the fund consist of the following:

19            (1) Appropriations from the general assembly.

20            (2) Donations, gifts, and money received from any other source,  
 21            including transfers from other funds or accounts.

22       (c) Money remaining in the fund at the end of a state fiscal year  
 23       does not revert to the state general fund.

24       (d) The treasurer of state shall invest the money in the fund not  
 25       currently needed to meet the obligations of the fund in the same  
 26       manner as other public funds may be invested. Interest that accrues  
 27       from these investments shall be deposited in the fund.

28       (e) The board shall establish:

29            (1) amounts for grants under this section; and

30            (2) criteria for awarding grants under this section.

31       (f) A person, business, or manufacturer that wants a grant from the  
 32       fund must file an application in the manner prescribed by the board.

33       **(g) The department shall pursue available private and public**  
 34       **sources of money for the fund.**

35       SECTION 3. IC 8-1-2-6.1 IS AMENDED TO READ AS  
 36       FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 6.1. (a) As used in this  
 37       section, "clean coal technology" means a technology (including  
 38       precombustion treatment of coal):

39            (1) that is used at a new or existing electric generating facility and  
 40            directly or indirectly reduces airborne emissions of sulfur or  
 41            nitrogen based pollutants associated with the combustion or use  
 42            of coal; and



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(2) that either:

(A) is not in general commercial use at the same or greater scale in new or existing facilities in the United States as of January 1, 1989; or

(B) has been selected by the United States Department of Energy for funding under its Innovative Clean Coal Technology program and is finally approved for such funding on or after January 1, 1989.

(b) As used in this section, "Indiana coal" means coal from a mine whose coal deposits are located in the ground wholly or partially in Indiana regardless of the location of the mine's tipple.

(c) Except as provided in subsection (d), the commission shall allow a utility to recover as operating expenses those expenses associated with:

(1) research and development designed to increase use of Indiana coal; and

(2) preconstruction costs (including design and engineering costs) associated with employing clean coal technology at a new or existing coal burning electric generating facility if the commission finds that the facility:

(A) utilizes and will continue to utilize (as its primary fuel source) Indiana coal; or

(B) is justified, because of economic considerations or governmental requirements, in utilizing non-Indiana coal; after the technology is in place.

(d) The commission may only allow a utility to recover preconstruction costs as operating expenses on a particular project if the commission awarded a certificate under IC 8-1-8.7 for that project.

(e) The commission shall establish guidelines for determining recoverable expenses.

**(f) The commission has jurisdiction over transactions involving the purchase of clean coal technology from third parties, including the purchase of precombustion coal treated by gasification. The commission's jurisdiction includes the authority to review the terms of a transaction and determine whether the transaction is in the public interest.**

SECTION 4. IC 8-1-8.8 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]:

#### **Chapter 8.8. Utility Generation and Clean Coal Technology**

##### **Sec. 1. (a) The general assembly makes the following findings:**

**(1) Growth of Indiana's population and economic base has**

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created a need for new energy generating facilities in Indiana.

(2) The development of a robust and diverse portfolio of energy generating capacity, including the use of renewable energy resources, is needed if Indiana is to continue to be successful in attracting new businesses and jobs.

(3) Indiana has considerable natural resources that are currently underutilized and could support development of new energy generating facilities at an affordable price.

(4) Certain regions of the state, such as southern Indiana, could benefit greatly from new employment opportunities created by development of new energy generating facilities utilizing the plentiful supply of coal from the geological formation known as the Illinois basin.

(5) Technology can be deployed that allows high sulfur coal from the geological formation known as the Illinois Basin to be burned efficiently while meeting strict state and federal air quality limitations. Specifically, the state should encourage the use of advanced clean coal technology, such as coal gasification.

(6) It is in the public interest for the state to encourage the construction of new energy generating facilities that increase the in-state capacity to provide for current and anticipated energy demand at a competitive price.

(b) The purpose of this chapter is to enhance Indiana's energy security and reliability by ensuring all of the following:

(1) Indiana's energy generating capacity continues to be adequate to provide for Indiana's current and future energy needs, including the support of the state's economic development efforts.

(2) The vast and underutilized coal resources of the Illinois Basin are used as a fuel source for new energy generating facilities.

(3) The electric transmission system within Indiana is upgraded to distribute additional amounts of electricity more efficiently.

(4) Jobs are created as new energy generating facilities are built in regions throughout Indiana.

Sec. 2. As used in this chapter, "clean coal and energy projects" means any of the following:

(1) Any of the following projects:

(A) Projects at new energy generating facilities that employ the use of clean coal technology and that are fueled

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1 primarily by coal or gases derived from coal from the  
2 geological formation known as the Illinois Basin.

3 (B) Projects to provide advanced technologies that reduce  
4 regulated air emissions from existing energy generating  
5 plants that are fueled primarily by coal or gases from coal  
6 from the geologic formation known as the Illinois Basin,  
7 such as flue gas desulfurization and selective catalytic  
8 reduction equipment.

9 (2) Projects to develop alternative energy sources, including  
10 renewable energy projects.

11 (3) The purchase of fuels produced by a coal gasification  
12 facility.

13 Sec. 3. As used in this chapter, "clean coal technology" means  
14 a technology (including precombustion treatment of coal):

15 (1) that is used in a new or existing electric generating facility  
16 and directly or indirectly reduces airborne emissions of  
17 sulfur, mercury, or nitrogen oxides or other regulated air  
18 emissions associated with the combustion or use of coal; and

19 (2) that either:

20 (A) is not in general commercial use at the same or greater  
21 scale in new or existing facilities in the United States as of  
22 January 1, 1989; or

23 (B) has been selected by the United States Department of  
24 Energy for funding under its Innovative Clean Coal  
25 Technology program and is finally approved for such  
26 funding on or after January 1, 1989.

27 Sec. 4. As used in this chapter, "coal gasification facility" means  
28 a facility in Indiana that uses a manufacturing process that  
29 converts coal into a clean gas that can be used as a fuel to generate  
30 energy.

31 Sec. 5. As used in this chapter, "costs associated with qualified  
32 utility system property" means capital, operation, maintenance,  
33 depreciation, tax costs, and financing costs of or for qualified  
34 utility system property.

35 Sec. 6. As used in this chapter, "eligible business" means an  
36 energy utility (as defined in IC 8-1-2.5-2) that:

37 (1) proposes to construct or repower a new energy generating  
38 facility;

39 (2) proposes to construct or repower a project described in  
40 section 2(1) or 2(2) of this chapter;

41 (3) undertakes a project to develop alternative energy sources,  
42 including renewable energy projects; or



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(4) purchases fuels produced by a coal gasification facility.

Sec. 7. As used in this chapter, "group" refers to the forecasting group established by IC 8-1-8.5-3.5.

Sec. 8. (a) As used in this chapter, "new energy generating facility" refers to a facility that satisfies all of the following:

(1) The facility is fueled primarily by coal or gases from coal from the geologic formation known as the Illinois Basin.

(2) The facility is a:

(A) newly constructed or newly repowered energy generation plant; or

(B) newly constructed generation capacity expansion at an existing facility;

dedicated primarily to serving Indiana retail customers.

(3) The repowering, construction, or expansion of the facility was begun by an Indiana utility after July 1, 2002.

(3) The facility has an aggregate rated electric generating capacity of at least one hundred (100) megawatts for all units at one (1) site or a generating capacity of at least four hundred thousand (400,000) pounds per hour of steam.

(b) The term includes the transmission lines and associated equipment employed specifically to serve a new energy generating facility.

Sec. 9. As used in this chapter, "qualified utility system property" means any new energy generating facility used, or to be used, in whole or in part, on a utility system to provide retail energy service (as defined in IC 8-1-2.5-3) regardless of whether that service is provided under IC 8-1-2.5 or another provision of this article.

Sec. 10. (a) As used in this chapter, "renewable energy resources" means alternative sources of renewable energy, including the following:

(1) Energy from wind.

(2) Solar energy.

(3) Photovoltaic cells and panels.

(4) Dedicated crops grown for energy production.

(5) Organic waste biomass.

(6) Hydropower from existing dams.

(b) The term does not include energy from the incinerations, burning, or heating of any of the following:

(1) Waste wood.

(2) Tires.

(3) General household, institutional, commercial, industrial

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lunchroom, office, or landscape waste.

(4) Construction or demolition debris.

Sec. 11. (a) The commission shall encourage clean coal and energy projects by creating the following financial incentives for clean coal and energy projects, if the projects are found to be in the public interest, convenience, and necessity:

(1) The timely recovery of costs incurred during construction and operation of projects described in section 2(1) or 2(2) of this chapter.

(2) The authorization of up to three (3) percentage points on the return on shareholder equity that would otherwise be allowed to be earned on projects described in subdivision (1).

(3) Financial incentives for the purchase of fuels produced by a coal gasification facility, including cost recovery and the incentive available under subdivision (2).

(4) Financial incentives for projects to develop alternative energy sources, including renewable energy projects.

(5) Other financial incentives the commission considers appropriate.

(b) An eligible business must file an application to the commission for approval of a clean coal and energy project under this section.

(c) The commission shall promptly review an application filed under this section for completeness. The commission may request additional information the commission considers necessary to aid in its review.

(d) The commission shall, after notice and hearing, issue a determination of a project's eligibility for the financial incentives described in subsection (a) not later than one hundred eighty (180) days after the date of the application, unless the commission finds that the applicant has not cooperated fully in the proceeding.

Sec. 12. (a) The commission shall provide financial incentives to eligible businesses for new energy generating facilities in the form of timely recovery of the costs incurred in connection with the construction, repowering, expansion, operation, or maintenance of the facilities, in place of the normal allowance for funds used during construction (AFUDC) recovery.

(b) An eligible business seeking authority to timely recover the costs described in subsection (a) must apply to the commission for approval of a rate adjustment mechanism in the manner determined by the commission.

(c) An application must include the following:



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(1) A schedule for the completion of construction, repowering, or expansion of the new energy generating facility for which rate relief is sought.

(2) Copies of the most recent integrated resource plan filed with the commission.

(3) The amount of capital investment by the eligible business in the new energy generating facility.

(4) Other information the commission considers necessary.

(d) The commission shall allow an eligible business to recover the costs associated with qualified utility system property if the eligible business provides substantial documentation that the expected costs associated with qualified utility system property and the schedule for incurring those costs are reasonable and the generation capacity is needed.

(e) The commission shall allow an eligible business to recover the costs associated with the purchase of fuels produced by a coal gasification facility if the eligible business provides substantial documentation that the costs associated with the purchase are reasonable and in the public interest.

(f) A retail rate adjustment mechanism proposed by an eligible business under this section may be based on actual or forecasted data. If forecast data is used, the retail rate adjustment mechanism must contain a reconciliation mechanism to correct for any variance between the forecasted costs and the actual costs.

**Sec. 13. An eligible business shall file a monthly report with the department of commerce stating the following information:**

(1) The amount of Illinois Basin coal, if any, purchased during the previous month for use in a new energy generating facility.

(2) The amount of any fuel produced by a coal gasification facility and purchased by the eligible business during the previous month.

(3) Any other information the department of commerce may reasonably require.

**Sec. 14. The group shall conduct an annual study on the use, availability, and economics of using renewable energy resources in Indiana. Each year, the group shall submit a report on the study to the commission for inclusion in the commission's annual report to the regulatory flexibility committee described in IC 8-1-2.5-9 and IC 8-1-2.6-4. The report must include suggestions from the group to encourage the development and use of renewable energy resources and technologies appropriate for use in Indiana.**



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1       **Sec. 15. If any part of this chapter is found to be unlawful, the**  
2       **commission shall annually review any project approved under this**  
3       **chapter to determine that the project continues to be:**

4               **(1) in the public interest, convenience, and necessity; and**

5               **(2) consistent with the commission's findings in the order**  
6               **initially approving incentives under this chapter.**

7       **SECTION 5. An emergency is declared for this act.**

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SENATE MOTION

Mr. President: I move that Senator Garton be removed as author of Senate Bill 29 and that Senator Weatherwax be substituted therefor.

GARTON

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SENATE MOTION

Mr. President: I move that Senator Lanane be added as second author and Senators Server and Waterman be added as coauthors of Senate Bill 29.

WEATHERWAX

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SENATE MOTION

Mr. President: I move that Senator Blade be added as coauthor of Senate Bill 29.

WEATHERWAX

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COMMITTEE REPORT

Mr. President: The Senate Committee on Rules and Legislative Procedure, to which was referred Senate Bill No. 29, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Delete everything after the enacting clause and insert the following:

(SEE TEXT OF BILL)

and when so amended that said bill be reassigned to the Senate Committee on Energy and Economic Development.

(Reference is to SB 29 as introduced.)

GARTON, Chairperson

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## COMMITTEE REPORT

Mr. President: The Senate Committee on Energy and Economic Development, to which was referred Senate Bill No. 29, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Page 1, line 7, delete "electric generating capacity" and insert **"energy generating facilities"**.

Page 1, line 9, delete "electric" and insert **"energy"**.

Page 1, line 9, delete "capacity" and insert **"capacity, including the use of renewable energy resources,"**.

Page 1, line 13, delete "electric power" and insert **"energy generating facilities"**.

Page 1, line 16, delete "electric generating plants" and insert **"new energy generating facilities"**.

Page 1, line 17, delete "Indiana coal." and insert **"coal from the geological formation known as the Illinois basin."**

Page 2, line 8, delete "electric" and insert **"energy"**.

Page 2, line 10, delete "electricity" and insert **"energy"**.

Page 2, line 12, after "security" insert **"and reliability"**.

Page 2, line 13, delete "electric" and insert **"energy"**.

Page 2, line 15, delete "electricity" and insert **"energy"**.

Page 2, line 18, delete "electric plants." and insert **"energy generating facilities."**

Page 2, line 22, delete "electric plants" and insert **"energy generating facilities"**.

Page 2, line 25, delete **"new electric"** and insert **"any of the following:**

**(1) New energy"**.

Page 2, delete line 28.

Page 2, line 29, delete "(2)", begin a new line double block indented, and insert:

**"(A)"**.

Page 2, delete lines 30 through 31.

Page 2, line 32, delete "(4)", begin a new line double block indented, and insert:

**"(B)"**.

Page 2, line 34, delete "(5)", begin a new line double block indented, and insert:

**"(C)"**.

Page 2, between lines 34 and 35, begin a new line block indented

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and insert:

**"(2) Projects to develop alternative energy sources, including renewable energy projects.**

**(3) The purchase of fuels produced by a coal gasification facility."**

**Sec. 3. As used in this chapter, "clean coal technology" has the meaning set forth in IC 8-1-8.7-1.**

**Sec. 4. As used in this chapter, "coal gasification facility" means a facility in Indiana that uses a manufacturing process that converts coal into a clean gas that can be used as a fuel to generate energy."**

Page 2, line 35, delete "3." and insert **"5."**

Page 2, line 39, delete "4." and insert **"6."**

Page 2, line 40, delete "that" and insert **"that :**

**(1)".**

Page 2, line 41, delete "electric" and insert **"energy"**.

Page 2, line 41, delete "facility." and insert **"facility;**

**(2) undertakes a project to develop alternative energy sources, including renewable energy projects; or**

**(3) purchases fuels produced by a coal gasification facility."**

Page 2, line 42, delete "5." and insert **"7."**

Page 3, line 2, delete "6." and insert **"8."**

Page 3, line 2, delete "electric" and insert **"energy"**.

Page 3, line 6, delete "electric" and insert **"energy"**.

Page 3, line 10, delete "or construction" and insert **"construction, or expansion"**.

Page 3, line 12, after "rated" insert **"electric"**.

Page 3, line 14, delete "site." and insert **"site or a generating capacity of at least four hundred thousand (400,000) pounds per hour of steam."**

Page 3, line 16, delete "electricity" and insert **"energy"**.

Page 3, line 18, delete "7." and insert **"9."**

Page 3, line 19, delete "electric" and insert **"energy"**.

Page 3, line 20, delete "to generate electricity".

Page 3, line 24, delete "8." and insert **"10."**

Page 3, delete line 29.

Page 3, line 30, delete "(4)" and insert **"(3)"**.

Page 3, line 31, delete "(5)" and insert **"(4)"**.

Page 3, line 32, delete "(6)" and insert **"(5)"**.

Page 3, line 33, delete "(7) Hydropower." and insert **"(6) Hydropower from existing dams."**

Page 3, line 41, delete "9." and insert **"11."**



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Page 4, line 1, delete "the construction and operation of" and insert **"clean coal and energy"**.

Page 4, line 3, delete "operation." and insert **"operation of new energy generating facilities."**

Page 4, line 4, delete "hundred (300) basis" and insert **"(3) percentage"**.

Page 4, line 6, delete "such projects." and insert **"projects described in subdivision (1)."**

Page 4, between lines 6 and 7, begin a new line block indented and insert:

**"(3) Financial incentives for the purchase of fuels produced by a coal gasification facility, including cost recovery and the incentive available under subdivision (2) for new energy generating facilities.**

**(4) Financial incentives for projects to develop alternative energy sources, including renewable energy projects."**

Page 4, line 7, delete "(3)" and insert **"(5)"**.

Page 4, between lines 15 and 16, begin a new paragraph and insert:

**"(d) The commission shall issue a preliminary determination of a project's eligibility for the financial incentives described in subsection (a) not later than ninety (90) days after the date of the application."**

Page 4, line 16, delete "10." and insert **"12."**

Page 4, line 17, delete "electric" and insert **"energy"**.

Page 4, line 19, after "repowering," insert **"expansion,"**

Page 4, line 27, delete "or acquisition" and insert **"acquisition, or expansion"**.

Page 4, line 27, delete "electric" and insert **"energy"**.

Page 4, line 32, delete "electric" and insert **"energy"**.

Page 4, line 36, delete "of" and insert **"that"**.

Page 4, line 38, delete "costs." and insert **"costs are reasonable and in the public interest."**

Page 4, between lines 38 and 39, begin a new paragraph and insert:

**"(e) The commission shall allow an eligible business to recover the costs associated with the purchase of fuels produced by a coal gasification facility if the eligible business provides substantial documentation that the costs associated with the purchase are reasonable and in the public interest."**

Page 4, line 39, delete "(e)" and insert **"(f)"**.

Page 4, line 42, delete "(f)" and insert **"(g)"**.

Page 5, line 5, delete "(g)" and insert **"Sec. 13."**

Page 5, line 8, delete "the new electric" and insert **"a new energy"**.

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Page 5, delete lines 10 through 12.

Page 5, between lines 12 and 13, begin a new line block indented and insert:

**"(2) The amount of any fuel produced by a coal gasification facility and purchased by the eligible business during the previous month."**

Page 5, line 13, delete "(4) Such other information as" and insert **"(3) Any other information"**.

Page 5, line 15, delete "11." and insert **"14."**

Page 5, line 19, delete "IC 8-1-25-9" and insert **"IC 8-1-2.5-9"**.

and when so amended that said bill do pass.

(Reference is to SB 29 as printed January 18, 2002.)

WEATHERWAX, Chairperson

Committee Vote: Yeas 9, Nays 0.

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## SENATE MOTION

Mr. President: I move that Senator Hume be added as coauthor of Senate Bill 29.

WEATHERWAX

## SENATE MOTION

Mr. President: I move that Senate Bill 29 be amended to read as follows:

Page 2, line 29, delete "New energy generating facilities that are fueled primarily" and insert **"Any of the following projects:"**.

Page 2, delete lines 30 through 32.

Page 2, line 33, after "Projects" insert **"at new energy generating facilities"**.

Page 2, line 33, delete "." and insert **"and that are fueled primarily by coal or gases derived from coal from the geological formation known as the Illinois Basin."**

Page 2, line 34, delete "scrubber technology for" and insert **"advanced technologies that reduce regulated air emissions from"**.

Page 2, line 35, delete "." and insert **", such as flue gas desulfurization and selective catalytic reduction equipment."**

Page 3, between lines 12 and 13, begin a new line block indented and insert:

**"(2) proposes to construct, repower, or acquire a project described in section 2(1) of this chapter;"**.

Page 3, line 13, delete "(2)" and insert **"(3)"**.

Page 3, line 15, delete "(3)" and insert **"(4)"**.

Page 4, line 20, delete "new energy generating facilities." and insert **"projects described in section 2(1) of this chapter."**

Page 4, line 26, delete "for new energy" and insert ".".

Page 4, delete line 27.

Page 4, line 39, delete "preliminary".

Page 5, line 23, delete "and in the" and insert ".".

Page 5, delete line 24.

Page 5, line 29, delete "and in the public interest".

Page 5, line 32, after "data." insert **"If forecast data is used, the retail rate adjustment mechanism must contain a reconciliation mechanism to correct for any variance between the forecasted costs and the actual costs."**



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Page 5, delete lines 33 through 37.

(Reference is to SB 29 as printed January 30, 2002.)

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SENATE MOTION

Mr. President: I move that Senator Gard be added as coauthor of  
Engrossed Senate Bill 29.

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## COMMITTEE REPORT

Mr. Speaker: Your Committee on Rules and Legislative Procedures, to which was referred Senate Bill 29, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 1, between the enacting clause and line 1, begin a new paragraph and insert:

"SECTION 1. IC 4-4-30 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]:

**Chapter 30. Center for Coal Technology Research**

**Sec. 1.** As used in this chapter, "center" refers to the center for coal technology research established by this chapter.

**Sec. 2.** As used in this chapter, "director" refers to the director of the department of commerce.

**Sec. 3.** As used in this chapter, "fund" refers to the coal technology research fund established by section 8 of this chapter.

**Sec. 4.** As used in this chapter, "Indiana coal" has the meaning set forth in IC 8-1-2-6.1.

**Sec. 5.** The center for coal technology research is established to perform the following duties:

- (1) Develop technologies that can use Indiana coal in an environmentally and economically sound manner.
- (2) Investigate the reuse of clean coal technology byproducts, including fly ash.
- (3) Generate innovative research in the field of coal use.
- (4) Develop new, efficient, and economical sorbents for effective control of emissions.
- (5) Investigate ways to increase coal combustion efficiency.
- (6) Develop materials that withstand higher combustion temperatures.
- (7) Carry out any other matter concerning coal technology research as determined by the center.

**Sec. 6.** In carrying out its duties under this chapter, the center shall be located at Purdue University at West Lafayette and shall cooperate with and may use the resources of:

- (1) Indiana University Geological Survey and other state educational institutions;
- (2) a state or federal department or agency;
- (3) a political subdivision; and
- (4) interest groups representing business, environment, industry, science, and technology.



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**Sec. 7. To carry out the center's duties described in section 5 of this chapter, the director or the director's designee, acting on behalf of the center, may:**

- (1) organize the center in the manner necessary to implement this chapter;**
- (2) execute contractual agreements, including contracts for:**
  - (A) the operation of the center;**
  - (B) the performance of any of the duties described in section 5 of this chapter; and**
  - (C) any other services necessary to carry out this chapter;**
- (3) receive money from any source for purposes of this chapter;**
- (4) expend money for an activity appropriate to the purposes of this chapter;**
- (5) execute agreements and cooperate with:**
  - (A) Purdue University and other state educational institutions;**
  - (B) a state or federal department or agency;**
  - (C) a political subdivision; and**
  - (D) interest groups representing business, the environment, industry, science, and technology; and**
- (6) subject to the approval of the budget agency, employ personnel as necessary for the efficient administration of this chapter.**

**Sec. 8. (a) The coal technology research fund is established to provide money for the center for coal technology research and for the director to carry out the duties specified under this chapter. The budget agency shall administer the fund.**

**(b) The fund consists of the following:**

- (1) Money appropriated by the general assembly.**
- (2) Gifts, grants, and bequests.**

**(c) The treasurer of state shall invest the money in the fund not currently needed to meet the obligations of the fund in the same manner as the treasurer may invest other public funds.**

**(d) Money in the fund at the end of a state fiscal year does not revert to the state general fund.**

**SECTION 2. IC 4-23-5.5-16 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 16. (a) The Indiana coal research grant fund is established for the purpose of providing grants for research and other projects designed to develop and expand markets for Indiana coal. The fund shall be administered by the board.**

**(b) Sources of money for the fund consist of the following:**

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- (1) Appropriations from the general assembly.
- (2) Donations, gifts, and money received from any other source, including transfers from other funds or accounts.
- (c) Money remaining in the fund at the end of a state fiscal year does not revert to the state general fund.
- (d) The treasurer of state shall invest the money in the fund not currently needed to meet the obligations of the fund in the same manner as other public funds may be invested. Interest that accrues from these investments shall be deposited in the fund.
- (e) The board shall establish:
  - (1) amounts for grants under this section; and
  - (2) criteria for awarding grants under this section.
- (f) A person, business, or manufacturer that wants a grant from the fund must file an application in the manner prescribed by the board.

**(g) The department shall pursue available private and public sources of money for the fund.**

SECTION 3. IC 8-1-2-6.1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 6.1. (a) As used in this section, "clean coal technology" means a technology (including precombustion treatment of coal):

- (1) that is used at a new or existing electric generating facility and directly or indirectly reduces airborne emissions of sulfur or nitrogen based pollutants associated with the combustion or use of coal; and
- (2) that either:
  - (A) is not in general commercial use at the same or greater scale in new or existing facilities in the United States as of January 1, 1989; or
  - (B) has been selected by the United States Department of Energy for funding under its Innovative Clean Coal Technology program and is finally approved for such funding on or after January 1, 1989.
- (b) As used in this section, "Indiana coal" means coal from a mine whose coal deposits are located in the ground wholly or partially in Indiana regardless of the location of the mine's tipple.
- (c) Except as provided in subsection (d), the commission shall allow a utility to recover as operating expenses those expenses associated with:
  - (1) research and development designed to increase use of Indiana coal; and
  - (2) preconstruction costs (including design and engineering costs) associated with employing clean coal technology at a new or



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existing coal burning electric generating facility if the commission finds that the facility:

(A) utilizes and will continue to utilize (as its primary fuel source) Indiana coal; or

(B) is justified, because of economic considerations or governmental requirements, in utilizing non-Indiana coal;

after the technology is in place.

(d) The commission may only allow a utility to recover preconstruction costs as operating expenses on a particular project if the commission awarded a certificate under IC 8-1-8.7 for that project.

(e) The commission shall establish guidelines for determining recoverable expenses.

**(f) The commission has jurisdiction over transactions involving the purchase of clean coal technology from third parties, including the purchase of precombustion coal treated by gasification. The commission's jurisdiction includes the authority to review the terms of a transaction and determine whether the transaction is in the public interest."**

Page 2, line 36, delete ", " and insert **"that are fueled primarily by coal or gases from coal from the geologic formation known as the Illinois Basin,"**.

Page 2, delete line 38.

Page 3, line 1, delete "has the" and insert **"means a technology (including precombustion treatment of coal):**

**(1) that is used in a new or existing electric generating facility and directly or indirectly reduces airborne emissions of sulfur, mercury, or nitrogen oxides or other regulated air emissions associated with the combustion or use of coal; and**

**(2) that either:**

**(A) is not in general commercial use at the same or greater scale in new or existing facilities in the United States as of January 1, 1989; or**

**(B) has been selected by the United States Department of Energy for funding under its Innovative Clean Coal Technology program and is finally approved for such funding on or after January 1, 1989."**

Page 3, delete line 2.

Page 3, line 13, delete ", repower, or acquire" and insert **"or repower"**.

Page 3, line 15, delete ", repower, or acquire" and insert **"or repower"**.

Page 3, line 16, after "2(1)" insert **"or 2(2)"**.



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Page 3, between lines 23 and 24, begin a new line block indented and insert:

**"(1) The facility is fueled primarily by coal or gases from coal from the geologic formation known as the Illinois Basin."**

Page 3, line 24, delete "(1)" and insert "(2)".

Page 3, line 25, delete ", newly repowered, or newly" and insert "**or newly repowered**".

Page 3, line 26, delete "acquired".

Page 3, line 30, delete "(2) The acquisition," and insert "**(3) The**".

Page 3, line 31, delete "completed" and insert "**begun**".

Page 3, line 32, delete "2001" and insert "**2002**".

Page 3, line 38, delete "that transfers energy from points of supply to points of" and insert "**employed specifically to serve a new energy generating facility**".

Page 3, delete line 39.

Page 4, line 22, delete ":" and insert "**, if the projects are found to be in the public interest, convenience, and necessity:**".

Page 4, line 24, after "2(1)" insert "**or 2(2)**".

Page 4, line 27, delete "overall rate of return" and insert "**return on shareholder equity**".

Page 5, line 1, after "shall" insert "**, after notice and hearing,**".

Page 5, line 3, delete "ninety (90) days after the date of the application." and insert "**one hundred eighty (180) days after the date of the application, unless the commission finds that the applicant has not cooperated fully in the proceeding.**".

Page 5, line 7, delete "acquisition,".

Page 5, line 8, delete "." and insert "**, in place of the normal allowance for funds used during construction (AFUDC) recovery.**".

Page 5, line 15, delete "acquisition,".

Page 5, line 26, delete "." and insert "**and the generation capacity is needed.**".

Page 5, line 31, delete "." and insert "**and in the public interest.**".

Page 6, between lines 12 and 13, begin a new paragraph and insert:

**"Sec. 15. If any part of this chapter is found to be unlawful, the commission shall annually review any project approved under this chapter to determine that the project continues to be:**

**(1) in the public interest, convenience, and necessity; and**

**(2) consistent with the commission's findings in the order initially approving incentives under this chapter."**

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Renumber all SECTIONS consecutively.  
and when so amended that said bill do pass.

(Reference is to SB 29 as reprinted February 5, 2002.)

MOSES, Chair

Committee Vote: yeas 7, nays 3.

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